

## **Use of Translators or Clearinghouses for HIPAA Compliance**

### **HCFA Private Sector Technology Group**

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The U.S. health care industry, at \$1.4 trillion per year, is the largest sector of the economy and yet is also the least automated and the most burdened by paperwork. Up until recently, each of the approximately 1500 U.S. health care payers, from insurance companies to government health programs, has had different requirements and formats for providers to electronically submit claims, request prior authorization, inquire about eligibility, coordinate benefits, and generally exchange information. The Administrative Simplification provisions of the Health Insurance Portability and Accountability Act (HIPAA) now mandate national standards for certain electronic health care administrative and financial transactions. These standards should dramatically increase the electronic exchange of information and reduce administrative costs in a way similar to how electronic standards for the credit card industry made possible our current national network of ATM machines and the instant access to credit and cash virtually anytime and anywhere.

Converting to these national standards won't be easy, however. Under HIPAA, States are required to be able to send and receive standard transactions. In some cases, the new standards lack certain information, such as type of service, that many Medicaid programs require. In other cases, certain information not usually required by Medicaid, such as the patient's relationship to insured, must be present on the submitted claim and reported back to the provider and to other third parties for coordination of benefits. This creates a unique quandary for most States in that their legacy Medicaid Management Information Systems (MMIS) must be able to 1) accept and store these new formats and pieces of information, and 2) find other ways to generate the data that is missing from the HIPAA format, but is required by the State for processing.

Two possible solutions that States may consider when developing a plan to enable their systems to send and receive standard transactions are the use of translator software and/or accessing translation services through the use of a clearinghouse. By choosing to use a front-end solution such as a translator or clearinghouse, the State can help reduce the amount of modification needed within its MMIS. This paper provides information relative to the benefits and issues ("pros and cons") of each approach and delineates a checklist of factors to be considered when making decisions related to HIPAA implementation. Regardless of whether a State chooses to use a translator or clearinghouse, the front-end solution must be able to do the following:

- Data that is included in a standard transaction but is not required by the MMIS for processing must be removed from the incoming file, and must be housed outside of the MMIS core claims adjudication process. This is necessary because States must be able to produce HIPAA compliant Remittance Advices and Coordination of Benefits transactions.
- The remaining data elements must be re-formatted to a format acceptable to the MMIS.
- The data from the standard transaction that is needed to adjudicate a claim must be sent to the MMIS.
- The MMIS proprietary data output must be able to be re-formatted to the standard transaction format by a translator or clearinghouse.
- Data that is needed to create a standard 835 or 837 transaction but was removed from an incoming standard transaction because it was not required by the MMIS must be “re-attached”.
- All data from the incoming transaction that is not required by the MMIS claims adjudication process may need to be retained for an extended period of time to support the use of HIPAA compliant 837 transactions for coordination of benefits. (All data elements from the incoming transaction must be retained since decisions about situational data elements cannot be determined until the specific payer can be identified.)
- The standard transaction must be transmitted back to the provider or other entity.

### **What is a Translator?**

A translator is a software application that may be installed on the front-end of a MMIS in order to convert data from one format to another. The ASC X12N transaction formats mandated by HIPAA differ substantially from the transaction formats currently used by most States. For example, the structure of an ASC X12N transaction includes variable-length fields, looping, hierarchical levels, paired data element keys, and other elements that may be foreign to a State's MMIS. In addition, the attributes and values of the data elements in each transaction may vary substantially from what a State's MMIS currently processes. Translator software can be used to re-format an incoming standard claim or other standard transaction so that it can be “understood” by the State's MMIS. Likewise, a translator can re-format a proprietary outgoing transaction (such as a remittance advice or claim status response) so that it complies with HIPAA. While a translator can re-format data, it cannot create data that does not exist. For example, a translator could be used to assist States in mapping national codes or other data elements on an incoming claim to non-standard codes that may be used within the MMIS. However, translators cannot solve the problem that States face with respect to elimination of proprietary codes in cases in which no national code exists to replace the proprietary code. In other words, a translator can be used to crosswalk codes between a national code set list and a

proprietary code set list, but the translator cannot actually create new codes where no national code exists.

### **What is a Clearinghouse?**

According to HIPAA a clearinghouse is an entity that processes information received from another entity in a nonstandard format into a standard transaction, or that receives a standard transaction from another entity and processes the information into nonstandard format for a receiving entity. In order to do this data conversion, clearinghouses use translator software. For States considering using translators and clearinghouses, it may be helpful to think of a clearinghouse as a translator service that also has the ability to provide a series of value-added services such as connectivity, a communications package, trading partner interfaces, routing, etc. Like a translator, a clearinghouse cannot create data that does not exist. Therefore, neither can a clearinghouse solve the problems States may face because of the elimination of local codes, or because the standard transaction formats do not contain certain data that States currently require for processing.

### **No Magic Bullets**

States should understand that while translators and clearinghouses can help reduce the amount of remediation needed within their existing MMIS, significant remediation will likely still be required, even if a front-end solution is used. Translators and clearinghouses can provide great value to States as part of a complete HIPAA solution. A front-end solution is useful for solving problems related to changes in data format, but will not solve all of a State's issues related to changes in data content. Neither a translator nor a clearinghouse can create needed data that is not part of a HIPAA format (e.g. local codes, type of service, etc.), and many systems and policies will still need to be re-vamped to deal with these issues. Even if a front-end solution is used, the level of effort required to remediate systems is expected to be substantial.

In order to make informed decisions about how HIPAA implementation can best be handled, each State should first determine the impact of HIPAA on their particular MMIS and related business processes by conducting a gap analysis or HIPAA Assessment. The information and details obtained through this assessment process (technical considerations, business processes etc.) will vary for each State because of differences in each State's systems, processes and programs. This gap analysis will help States determine what functionality they need and, in turn, how the use of either a translator or a clearinghouse might support those needs. Finally, it should be noted that the decision to use a translator or clearinghouse does not need to be mutually exclusive. A State may choose to use a translator in certain instances, and a clearinghouse in others.

The following table presents a list of features and issues that a State may wish to discuss with a translator or clearinghouse vendor when considering various potential HIPAA solution. As mentioned above, a State should determine which features and issues are most important for its particular situation by conducting a detailed HIPAA Assessment or gap analysis.

**Benefits/Issues:**

Translators	Clearinghouses
<ul style="list-style-type: none"> <li>• The State can control its own progress and implementation schedules, since the State is responsible for purchasing and installing the translator.</li> <li>• The State must have or hire staff or contractors who know how to install and use the translator.</li> <li>• The compliance burden and risks of non-compliance reside with the State only.</li> <li>• The State owns the licenses for the translator, and in some cases the translation tool can be leveraged for other business requirements within the organization.</li> <li>• The cost of the translator does not vary based on the number of transactions, making costs more predictable and often lower than a clearinghouse. However, if the State's transaction volume increases substantially, additional hardware upgrades may be required.</li> <li>• Many translators can translate both ASC X12N and HL7. However, in some cases a single translator may not enable the State to perform any-to-any translation. This issue could become problematic if future HIPAA standards require States to be able to send and receive transactions in different formats.</li> </ul>	<ul style="list-style-type: none"> <li>• If the State does not already have a business relationship with the clearinghouse, the State must factor into its implementation timeline, the time needed to establish a relationship with a clearinghouse and to have the clearinghouse installed as the front end of the State's MMIS.</li> <li>• Clearinghouse staff can provide installation and training to existing State staff. Because of this, installation of a clearinghouse solution may be a quicker, easier solution than a translator for States with limited EDI experience, or States that need to implement a HIPAA solution quickly.</li> <li>• State should consider whether the clearinghouse has the ability to strip extraneous data from incoming transactions and later "re-attach" the data as needed to outgoing transactions. Not all clearinghouses have this capability.</li> <li>• Because the clearinghouse is also a covered entity, the clearinghouse is also required to comply with HIPAA.</li> <li>• The business partner relationship between the State and the clearinghouse will probably create a need for a business partner agreement to ensure that data security and privacy is protected. In addition, States that use a clearinghouse may have an obligation to audit the processes and procedures of the clearinghouse to</li> </ul>

<ul style="list-style-type: none"> <li>• The translator will expedite the translation of data in less time and for less cost than if the State attempted to develop new software itself.</li> <li>• Some States already have experience using translators. This experience may help them select and install an appropriate translator for their HIPAA compliance needs.</li> <li>• ASC X12N version updates may be handled by translator vendor. Additional maintenance or upgrade charges may apply.</li> <li>• Costs include software license, one-time mapping/installation charge, hardware upgrades, training, help desk costs, testing and any additional functionality that may not be supported by the translator. For this reason it is important to ensure that the State chooses a translator that closely meets its needs.</li> <li>• In addition to the initial hardware investment when installing the translator, the State could incur additional hardware costs if its transaction volume increases to the point that it experiences capacity constraints with its hardware.</li> <li>• The State and or providers may incur telephone charges for direct submission from providers (e.g. the State could pay for a toll-free number or providers could pay for direct dialed calls).</li> <li>• In the long term, the cost of translator is often lower than cost of a clearinghouse for States with large transaction volumes because of the ongoing transaction fees associated with a clearinghouse solution.</li> </ul>	<p>ensure that it is complying with HIPAA.</p> <ul style="list-style-type: none"> <li>• Although the State may need to establish a new business partner agreement with the clearinghouse, the total number of business partner agreements the State must enter into may be reduced when using a clearinghouse.</li> <li>• The State cannot purchase a license. Clearinghouse charges are based on transaction volume.</li> <li>• The per transaction fees can increase (or decrease) over time, subject to contractual agreements.</li> <li>• The per-transaction charges continue indefinitely, and can be substantial especially for States with large transaction volumes.</li> <li>• ASC X12N version updates will be handled by the clearinghouse. Additional charges may apply.</li> <li>• Clearinghouses often use multiple translators to provide any-to-any translation capability.</li> <li>• Costs include one-time mapping/implementation charge plus ongoing per transaction charges.</li> <li>• If providers in a State already use the clearinghouse that the State chooses for its HIPAA solution, the impact on providers would be minimized.</li> <li>• Providers will need to test transactions with the clearinghouse only once, and can use that connection for multiple streams to different payers that use the same clearinghouse.</li> <li>• Providers do not have to pay telephone line charges (or minimal) to go directly through the clearinghouse.</li> </ul>
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	<ul style="list-style-type: none"> <li>• If a State selects a specific clearinghouse for its HIPAA solution, the cost of that solution must be paid by the State, not the provider. (Note: Separate from the State's HIPAA solution, providers may also make an independent decision to use a clearinghouse to meet their own HIPAA requirements. In that case, the provider would be responsible for the cost)</li> </ul>
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Please send any comments or questions about this paper to the HCFA Private Sector Technology Group (PS-TG).

Arthur McKay, Chair, 770-594-7799 x7703  
[arthur.mckay@consultec-inc.com](mailto:arthur.mckay@consultec-inc.com)

Suzanne Calzoncit, HIPAA White Paper Workgroup Chair, 972-797-4332  
[suzanne.calzoncit@eds.com](mailto:suzanne.calzoncit@eds.com)

#### Other HIPAA White Paper Workgroup Members

Terri Bessom, First Health  
Susan Fox, Fox Systems  
Julie Pollard, Birch & Davis

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This White Paper and others related to HIPAA impact on the MMIS can be found at the PS-TG web site: <http://www.ps-tag.org>